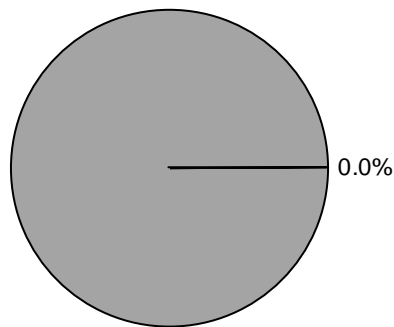


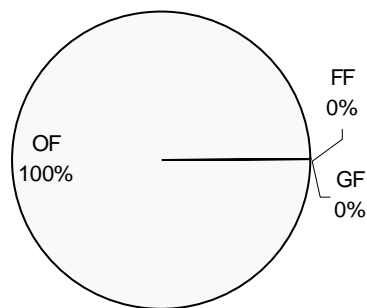
FY2006 Budget Briefing

South Dakota Retirement System

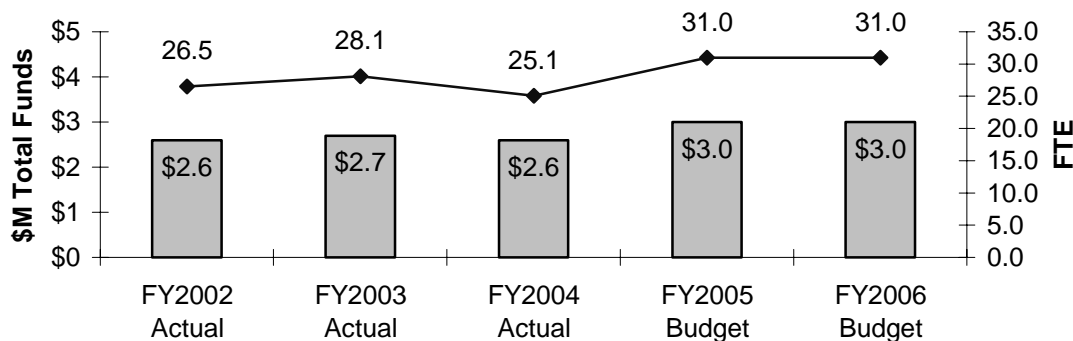
Agency's Share of Total Recommended
General Fund Budget FY2006



Agency's Funding Source Split FY2006
Recommended Budget



Budget History



Key Responsibilities

- To plan, implement, and administer income replacement programs that give all SDRS members and their families the opportunity to achieve financial security at retirement, death, or disability by providing an outstanding, appropriate, and equitable level of benefits.

Key Personnel

- Rob Wylie, System Administrator
- Jane Roberts, Finance Officer

Department Total

The South Dakota Retirement System (SDRS) is funded from the SDRS Trust Fund pool. SDRS is allowed to expend up to 3% of annual contributions for administration pursuant to SDCL 30-12-61. For FY 2006, the Governor recommends an increase of \$27,596 from other funds and no change in FTEs.

Item	Actual FY2004	Approved FY2005	Agency Req. FY2006	Gov. Rec. FY2006	Change from FY2005	% Change from FY2005
Personal Services	1,270,008	1,560,504	1,560,504	1,560,504	-	0.0%
Travel	52,905	54,684	60,152	60,152	5,468	10.0%
Contractual Services	999,601	1,076,154	1,114,154	1,098,282	22,128	2.1%
Supplies and Materials	232,170	265,000	265,000	265,000	-	0.0%
Grants and Subsidies	-	-	-	-	-	0.0%
Capital Outlay	40,446	41,500	41,500	41,500	-	0.0%
Other	-	-	-	-	-	0.0%
TOTAL	2,595,130	2,997,842	3,041,310	3,025,438	27,596	0.9%
Funding Sources:						
General Funds	-	-	-	-	-	0.0%
Federal Funds	-	-	-	-	-	0.0%
Other Funds	2,595,131	2,997,842	3,041,310	3,025,438	27,596	0.9%
TOTAL	2,595,131	2,997,842	3,041,310	3,025,438	27,596	0.9%
FTE	25.1	31.0	31.0	31.0	-	0.0%

Major Expansion and Reduction

	Agency Request			Governor's Recommendation		
Budget Item	State General Fund	All Funds	FTE	State General Fund	All Funds	FTE
A. Travel Increase	-	5,468	-	-	5,468	-
B. Computer Support Services	-	30,000	-	-	14,128	-
C. Rent	-	6,000	-	-	6,000	-
D. Special Pay Plan operational costs	-	2,000	-	-	2,000	-
Total	-	43,468	-	-	27,596	-

- A. The Retirement System requests a 10% increase in travel due to an expanded customer service program. The Governor recommends the requested increase.
- B. The agency requests \$30,000 from other funds for computer service support that was previously provided by the Business Education Institute and will now be provided for by the Bureau of Information and Telecommunications. The Governor recommends \$14,128.
- C. The Legislature approved 2.8 positions last year for the SDRS. The agency requests \$6,000 in rent for housing the new FTEs. The Governor concurs.
- D. The new Special Pay Plan approved last session (see Special Pay Plan section) will require additional funding for operational expenses. The Governor concurs.

South Dakota Retirement System – Administration Division

The mission of the South Dakota Retirement System is to plan, implement, and administer income replacement programs that give all SDRS members and their families the opportunity to achieve financial security at retirement, death, or disability by providing an outstanding, appropriate, and equitable level of benefits.

The total recommended budget for the Retirement System includes an expansion of \$25,346 from other funds.

Item	Actual FY2004	Approved FY2005	Agency Req. FY2006	Gov. Rec. FY2006	Change from FY2005	% Change from FY2005
Personal Services	1,270,008	1,560,504	1,560,504	1,560,504	-	0.0%
Travel	50,405	52,184	57,402	57,402	5,218	10.0%
Contractual Services	959,601	1,036,154	1,072,154	1,056,282	20,128	1.9%
Supplies and Materials	218,170	251,000	251,000	251,000	-	0.0%
Grants and Subsidies		-	-	-	-	0.0%
Capital Outlay	40,446	41,500	41,500	41,500	-	0.0%
Other	-	-	-	-	-	0.0%
TOTAL	2,538,630	2,941,342	2,982,560	2,966,688	25,346	0.9%
Funding Sources:						
General Funds	-	-	-	-	-	0.0%
Federal Funds	-	-	-	-	-	0.0%
Other Funds	2,538,631	2,941,342	2,982,560	2,966,688	25,346	0.9%
TOTAL	2,538,631	2,941,342	2,982,560	2,966,688	25,346	0.9%
FTE	25.1	31.0	31.0	31.0	-	0.0%

Revenues

Other Fund Revenue Source	Actual FY2003	Actual FY2004	FY2005 Estm.	FY2006 Estm.	% Change From FY2003
Contributions	\$153,000,000	\$174,000,000	\$174,000,000	\$190,000,000	24.2%
Investment Income	210,000,000	785,000,000	400,000,000	432,000,000	105.7%
Benefits Paid	(179,000,000)	(198,000,000)	(218,000,000)	(236,000,000)	31.8%
Refunds Paid	(24,000,000)	(21,000,000)	(21,000,000)	(23,000,000)	(4.2%)
Total	\$160,000,000	\$740,000,000	\$335,000,000	\$363,000,000	126.9%

Budget Notes

- A. SDRS has implemented an expanded customer service program. SDRS Retirement Planners and other staff travel the state conducting informational meeting with employers and members of the system. All travel categories were increased by 10%.
- B. The Retirement System requests \$30,000 for computer support services. SDRS formerly received the services from the Business Education Institute (BEI), but the services will now be performed by a Bureau of Information and Telecommunications employee. The switch will cost SDRS an additional \$14,128 in other funds; however, the change could not be helped because the BEI no longer provides the service. The Governor recommended only \$14,128. The difference between the Agency Request and the Governor's Recommended was due to assumption differences and will not affect the level of service.

C. \$6,000 is requested and recommended for additional rent costs to provide office space for the 2.8 FTEs approved by the Legislature last year. The request was not made last year.

Selected Performance Indicators

	ACTUAL	ACTUAL	ESTIMATED	ESTIMATED
	FY 2003	FY 2004	FY 2005	FY 2006
Budget Compared to Assets	0.06%	0.06%	0.05%	0.06%
Budget Compared to Benefits	1.50%	1.44%	1.30%	1.38%
Budget Compared to Contributions	1.80%	1.70%	1.70%	1.60%
Members Per FTEs	2,262	2,287	2,145	2,118

Deferred Compensation

The mission of the Deferred Compensation program is to plan, implement, and administer income replacement programs that give all SDRS members and their families the opportunity to achieve financial security at retirement, death, or disability by providing an outstanding, appropriate, and equitable level of benefits.

The total recommended budget for this program includes an increase of \$250 in other funds.

Item	Actual FY2004	Budgeted FY2005	Agency Req. FY2006	Gov. Rec. FY2006	Change from FY2005	% Change from FY2005
Personal Services	-	-	-	-	-	0.0%
Travel	2,500	2,500	2,750	2,750	250	10.0%
Contractual Services	40,000	40,000	40,000	40,000	-	0.0%
Supplies and Materials	14,000	14,000	14,000	14,000	-	0.0%
Grants and Subsidies	-	-	-	-	-	0.0%
Capital Outlay	-	-	-	-	-	0.0%
Other	-	-	-	-	-	0.0%
TOTAL	56,500	56,500	56,750	56,750	250	0.4%
Funding Sources:						
General Funds	-	-	-	-	-	0.0%
Federal Funds	-	-	-	-	-	0.0%
Other Funds	56,500	56,500	56,750	56,750	250	0.4%
TOTAL	56,500	56,500	56,750	56,750	250	0.4%
FTE	-	-	-	-	-	0.0%

Revenues

Other Fund Revenue Source	Actual FY2003	Actual FY2004	FY2005 Estm.	FY2006 Estm.	% Change From FY2003
Contributions	\$7,000,000	\$14,758,017	\$7,500,000	\$9,500,000	35.7%
Earnings	(2,000,000)	1,994,102	3,500,000	3,400,000	270.0%
Withdrawals	(5,000,000)	(11,552,078)	(6,000,000)	(6,000,000)	20.0%
Total	\$0	\$5,200,041	\$5,000,000	\$6,900,000	

Budget Notes

- A. An increase of \$250 in travel is requested and recommended due to additional travel costs expected for FY 2006.

Selected Performance Indicators

	Actual FY2003	Actual FY2004	Estimated FY2005	Estimated FY2006
Participants	3,900	4,165	4,100	4,250
Total Assets	\$66,300,000	\$84,631,344	\$75,000,000	\$86,000,000

Special Pay Plan

The mission of the Special Pay Plan program is to plan, implement and administer income replacement programs that give all SDRS members and their families the opportunity to achieve financial security at retirement, death, or disability by providing an outstanding, appropriate, and equitable level of benefits.

The total recommended budget for this program includes an increase of \$2,000 in other funds.

Item	Actual FY2004	Budgeted FY2005	Agency Req. FY2006	Gov. Rec. FY2006	Change from FY2005	% Change from FY2005
Personal Services	-	-	-	-	-	0.0%
Travel	-	-	-	-	-	0.0%
Contractual Services	-	-	2,000	2,000	2,000	100.0%
Supplies and Materials	-	-	-	-	-	0.0%
Grants and Subsidies	-	-	-	-	-	0.0%
Capital Outlay	-	-	-	-	-	0.0%
Other	-	-	-	-	-	0.0%
TOTAL	-	-	2,000	2,000	2,000	100.0%
Funding Sources:						
General Funds	-	-	-	-	-	0.0%
Federal Funds	-	-	-	-	-	0.0%
Other Funds	-	-	2,000	2,000	2,000	100.0%
TOTAL	-	-	2,000	2,000	2,000	0.0%
FTE	-	-	-	-	-	0.0%

Revenues

Other Fund Revenue Source

	<u>Actual FY2003</u>	<u>Actual FY2004</u>	<u>FY2005 Estm.</u>	<u>FY2006 Estm.</u>	<u>% Change From FY2003</u>
Contributions	\$0	\$0	\$3,000,000	\$5,000,000	
Earnings	0	0	240,000	400,000	
Withdrawals	0	0	(1,440,000)	(3,000,000)	
Total	\$0	\$0	\$1,800,000	\$2,400,000	

Budget Notes

A. The Special Pay Plan is new this year. The legislation was introduced on behalf of the South Dakota Board of Trustees in the 2004 Legislative Session. The issue it addresses is termination pay (annual leave, sick leave, contract buyouts, retirement incentives, and all other lump-sum payments). The lump-sum payouts were paid directly to members and were subject to Social Security taxes, SDRS contributions, and federal income taxes.

The Special Pay Plan will significantly increase the value of termination pay by eliminating or deferring taxes and contributions. For example, a member receiving \$10,000 in termination pay previously paid over \$2,500 in taxes and contributions. Under the Special Pay Plan there will be no deductions. This permits the full amount of the termination pay to be made to the plan. (Federal income taxes would be paid upon benefit payments from the plan.)

Class A members and their employers will each save 13.65 percent of the termination pay because of the elimination of Social Security taxes (7.65 percent) and SDRS contributions (6 percent). Class B members and their employers will save 15.65 percent of the termination pay. In addition, members will defer the payment of federal income taxes until they made withdrawals from the Special Pay Plan.

Selected Performance Indicators

	Actual FY2003	Actual FY2004	Estimated FY2005	Estimated FY2006
Participants	0	0	300	500
Total Assets	\$0	\$0	\$1,440,000	\$3,840,000

Other Departmental Issues

A. Interim Appropriation Actions

	Approved FY2005 Budget	Interim Action	Revised Budget
No action			
Total	\$ -	\$ -	\$ -
Funding Sources:			\$ -
General Funds	\$ -		\$ -
Federal Funds	\$ -		\$ -
Other Funds	\$ 2,997,842		\$ 2,997,842
Total	\$ 2,997,842	\$ -	\$ 2,997,842
F.T.E.	31.0	-	31.0

B. Audit Findings

None.

C. Agency Specific Questions and Agency Response

1. Explain how the changes approved by the 2004 Legislature have improved the financial condition of SDRS.
2. What is your definition of a mandatory FTE? For FYs 2005 and 2006, identify the number of mandatory FTEs. What is the personal service cost associated with those positions? For each mandatory FTE, identify the requirement that mandates the position. If you have additional mandatory FTEs recommended for your budget, what will be the consequences for not granting an appropriation for those positions?